COMESA BUSINESS COUNCIL

SHORT TERM CONSULTANCY

FOR THE CBC DIGITAL FINANCIAL INCLUSION PLAN FOR MICRO SMALL AND MEDIUM ENTERPRISES (MSME):

BUSINESS CASE FOR REGIONAL PAYMENTS POLICY FOR MSMES

Ref no: CS/CBC/02(07/19

Closing Date: 21st August 2019
Terms of References

<table>
<thead>
<tr>
<th>PROJECT TITLE:</th>
<th>COMESA Digital Financial Inclusion Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assignment title:</td>
<td>Development of a business case study on defining the requirements needed for a regional digital payment scheme that can facilitate bottom of the pyramid informal traders (cross border and domestic) to carry out affordable digital transactions in the COMESA region</td>
</tr>
<tr>
<td>Contract Duration:</td>
<td>September 2019- January 2020</td>
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<tr>
<td>Duty station:</td>
<td>Home-based</td>
</tr>
<tr>
<td>Travel:</td>
<td>Within COMESA Member States</td>
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</table>

Background

The COMESA Business Council (CBC) is the recognized Business Member Organization, established as a private sector institution of COMESA. We represent the interests of businesses sectors at a regional level. The services provided go beyond advocacy, to actively promote business participation in regional integration, investment and global trade. This is done by facilitating the growth of strong business synergies, the development of business opportunities, business alliances, legislative and strategic advocacy. We provide custom tailored services that are driven by both industry and enterprise interests.

CBC seeks to develop the COMESA MSMEs Digital Financial Inclusion Plan. The goal of this project is to support the design, development and deployment of an integrated digital financial services infrastructure that is low-cost, interoperable and fraud resistant that serves Micro Small and Medium Enterprises (MSMEs) with a keen focus on women and youth, and the customers they transact with at the bottom of the financial pyramid. This would be first developed from a regulatory focus approach, to the business model and finally the actual operational and technical establishment. The regulatory focus will be through the development of a business case study for an integrated digital payment scheme. The study will inform a common payments policy for MSMEs that offers low transaction costs for domestic and regional digital payments thereby improving cross border trade.

The business case and policy framework will form a foundation for the establishment of development of the business model, governance and operational aspects of a regional common payment scheme for cross border financial transactions that are affordable, with minimal charges and available to the micro SMEs. This is a direct response mechanism to the needs of this market segment. Further to this, a system such as this will strengthen volumes of cross border transactions and increase visibility of African products within regional markets. This will directly respond to the intra-trade deficit in the region.

The overall expected results and impact of the Project are as follows;

- Harmonised common payment policy for MSMEs in the COMESA region.
- Increased intra-regional trade through the formalization of MSMEs in particular, cross border traders, small scale farmers and women entrepreneurs into digital financial services.
Increased sustainability of MSMEs through efficient and competitive platforms that promote volumes of products and services across borders at minimal costs to informal industry. This in turn creates increased demand, larger market shares for MSMEs and job creation.

I. Objective and outputs of the assignment

The objective of the Assignment is to develop a business case that defines the requirements needed for a regional payment scheme that can facilitate bottom of the pyramid informal traders (domestic and cross border) to carry out affordable digital transactions in the COMESA region. The report should support practical solutions that will provide MSMEs with access to a payment scheme for the COMESA region.

The Business case study will focus on understanding the existing landscape for Digital Financial Services (DFS) and Payments in the COMESA region, the stakeholders involved the policy and regulatory landscape and also the market demand for a regional payment system. Specific focus areas are;

- Addressing the various challenges raised through a risk response mechanism for a digital solution that will meet the needs of the MSMEs in areas of simpler, transparent and more affordable payment system, that captures the costs of transaction, currency exchanges and also allows businesses clear their products with their customers while they are still stored in good conditions, hence reducing the loss to business. This in turn improves the efficiency and competitiveness of MSMEs and opens them into formal markets both for domestic as well as cross border trading.
- Respond to the needs of the target audience by proposing a harmonized regional payment policy and payment system that addresses the needs of the non-banked MSMEs, to access digital financial services to improve cross border transactions.
- Propose an affordable service that will promote greater efficiency through a cross border digital financial inclusive scheme that has minimal transaction costs, with a governance structure that is composed of digital financial services providers, a CBC Payment Scheme Association, regulatory partners from the banking and ICT sector.
- Lastly, the assignment will propose for adoption, a strong implementation and supervisory system to support the regulatory framework. This will be presented for consideration to the COMESA Governments.

The expected outputs are as follows;

- The development of a business case for a regional payment policy and framework that supports a practical solution that will digitalize SMEs through financial services;
- A draft regional policy and implementation framework for the public-private sector to adopt on the regulation and governance on the common payment services system for SMEs
- Validation and adoption of the business case report and the proposed policy through a public-private stakeholder dialogue
- Consideration for adoption at the COMESA Policy Organs level of the CBC Common payment scheme for MSMEs Regulation Policy
II. **Scope of Work and Tasks**

The Consultant will develop the Business Case Report, which focus on the following:

- **DFS Ecosystem**
  - Research on the frameworks and experience in implementing cross-border payment, clearing and settlement systems in the COMESA region.
  - Investigate and describe ecosystem for Cross Border Digital financial payments in the region; particularly with a focus on MSMEs, including women and cross border traders.

- **Stakeholder Analysis.**
  - Map the various stakeholders along the chain for digital financial inclusion of MSMEs.
  - Understanding the requirements for DFS and payments systems, discuss on the value proposition and competitive landscape for cross border payment systems in the region.
  - In terms of users, understand the segmentation and uptake of digital financial services within each country. Investigate the market demand for regional common payment system.

- **Payments Infrastructure**
  - Existing integrated infrastructure for cross border payments. What is the current exposure to cost for both digital and cash transactions?
  - What is the MSME willing to pay per transaction?

- **Gap Assessment.**
  - Understand the various gaps with the DFS market; particularly with respect to regional payments and cross border retail payments.

- **Constraints and Challenges.**
  - Identify the main constraints and challenges for the development for financial inclusion and for the development of a regional common payments system for SMEs.

- **Business Case for a Regional Common payment platform for SMEs.**
  - Motivate the case for the development of a regional Common Payment System for SMES; that addresses needs of the Bottom of the Pyramid trader to improve business efficiency through eased, affordable cross border payment using digital wallets. This should feed into the overarching objective of improving digital financial access and inclusiveness of informal traders into formal markets.
    - Customer Base
    - Value Proposition
    - Opportunities
    - Recommendations and Proposal
III. **Stakeholder focus**

Stakeholders for the project include but are not limited to 40 stakeholders per country as follows;

<table>
<thead>
<tr>
<th>Stakeholders</th>
<th>Selection</th>
<th>Criteria</th>
</tr>
</thead>
</table>
| MSMEs        | 25 companies: 10 Micro- 15 Small | • MSMEs that grow and produce products and services which include high percentages of women and youth (Micro and Small -defined as 20$-50$)  
  • Current informal cross border traders who serve producer MSMEs - Cross border traders Associations  
  • Consumers who transact with MSMEs and traders to purchase food, goods and services for daily living. |
| Drivers      | 9         | • Digital Financial Services (banks, MFIs, Credit savings schemes (5)  
  • Mobile Money Operators, telecommunication companies) (3)  
  • Payment systems operators/ associations (1) |
| Regulators   | 4         | • Bank regulators  
  • ICT regulators  
  • Ministry of Finance  
  • Ministry of ICT |
| Companies    | 2         | • Manufacturer  
  • Agro industry |

IV. **Geographical scope**

The consultant will be expected to carry out his/her assignment in 9 selected countries in the region. The countries considered are trading partners, with a grouping as follows;

- The North-South corridor is the most extensive corridor system in the region, linking the largest number of countries in eastern and southern Africa. Countries we shall work with in this region will be Malawi and Zambia.
- The Northern Corridor anchored by the port of Mombasa in Kenya, and the Central Corridor, anchored by the port of Dar es Salaam in Tanzania, are principal and crucial transport routes for national, regional, and international trade. We shall work with the countries, namely; Tanzania, Kenya, Rwanda and Uganda.
- Horn of Africa–Ethiopia and Egypt
- Island State- Mauritius

The research and requirements gathering will be carried out through stakeholder engagement and consultation, field works and multi- stakeholder and focused stakeholder dialogues.
V. Methodology

a) Desk Research. The consultant will undertake a desk research, consulting various statistics and economic databases, analytical reports from stakeholders and agencies such as COMESA, SADC, GSMA, ITU, World Bank, DFS Research bodies and public-sector agencies for his/her statistics review. Regional lessons will be from SADC Integrated Regional Electronic Settlement System (SIRESS), COMESA Regional Payment and Settlement System (REPSS) and others. The focus will mainly be on regional and international sources or portals on digital financial inclusion and cross border regional payment systems.

b) Field Work. The Consultant will develop an interview instrument and conduct extensive interviews with key stakeholders in the nine selected COMESA countries. He/ She will work hand in hand with CBC DFI team.

c) Report. The Consultant will develop the Business Case Report for Regional Common Payment System, working hand in hand with the CBC DFI team.

d) Presentation of the Business Case Report to a Private Sector Stakeholder meeting and later on Public Private Dialogue.

VI. Performance period and outputs

The performance period for the business case study/assignment is from the date of signing, for a period of 5 months starting in September 2019 - January 2020. The table below shows the expected outputs and the timeline for the assignment.

<table>
<thead>
<tr>
<th>Output</th>
<th>Description</th>
<th>Indicative Input-days</th>
<th>Period</th>
<th>Location details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inception Report</td>
<td>Develop inception Report</td>
<td>7 days</td>
<td>August 2019</td>
<td>Homebased</td>
</tr>
<tr>
<td>Country reports</td>
<td>Field missions</td>
<td>54 days</td>
<td>August, September-October, 2019</td>
<td>9 Countries</td>
</tr>
<tr>
<td>Draft 1 report</td>
<td>Analytical work and Report writing</td>
<td>10 days</td>
<td>November, 2019</td>
<td>Homebased</td>
</tr>
<tr>
<td>Draft 2 Report</td>
<td>Final draft report</td>
<td>10 days</td>
<td>November-December 2019</td>
<td>Homebased</td>
</tr>
<tr>
<td>Presentation</td>
<td>Presentation at Private sector for adoption</td>
<td>2 days</td>
<td>27-28 January, 2020</td>
<td>Regional meeting</td>
</tr>
<tr>
<td>Draft 3 report</td>
<td>Draft report with private sector final input</td>
<td>1 day</td>
<td>29 January 2020</td>
<td></td>
</tr>
</tbody>
</table>
VII. Deliverables

a) **Analysis and Reporting.** Based on the above, the consultant will develop a Business Case Report and Model Policy / Regulation for Regional Common Payment System.

b) **Presentation / Validation.** The consultant will be required to present the Business Case Report and Model Regional Common Payments Regulation to a Private Sector Stakeholder Meeting.

c) **Presentation of report for validation at Public Private Dialogue.** The Consultant will also be required to present the Business Case Report and Model Regional Common Payments Regulation to a Public Private Dialogue for validation.

VIII. Payment Schedule

The Consultant shall be paid a lump sum of USD 30,000 for this assignment. This amount entails professional fees only. All other costs of the project will be covered by the CBC. CBC will coordinate and pay for direct travel, logistical and related expenses for the entire duration of the project. CBC will also cater for economy class tickets in the region as well as allowances for field missions.

Payment to be made according to the payment schedule on the table below.

<table>
<thead>
<tr>
<th>OUTPUT</th>
<th>DESCRIPTION</th>
<th>PAYEMENT SCHEDULE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inception report</td>
<td></td>
<td>10% Payment</td>
</tr>
<tr>
<td>Final Draft Business case report</td>
<td>Write Business case report and recommendations for the CBC regional common payments scheme</td>
<td>30% payment</td>
</tr>
<tr>
<td>Presentation of Report at the Public-Private sector stakeholders’ workshop</td>
<td>Public-Private stakeholders dialogue for the draft Business Case</td>
<td>30% Payment</td>
</tr>
<tr>
<td>Final Business Case Report</td>
<td>Develop Final Report after inputting all comments from the Dialogue</td>
<td>30% Payment</td>
</tr>
</tbody>
</table>
IX. **Travel and subsistence**

The COMESA Business Council will cover transport cost and the daily subsistence allowance for the Consultant in cases of travel.

X. **Expertise Required**

Under the direct supervision of the CBC Chief Executive Officer and Overall Management of the CBC Board of Directors, the consultant will be expected to meet the requirements of the assignments within a period of 5 months.

The Project requires an expert consultant with in-depth understanding of Digital financial inclusion, Regional Integration and Private sector development, with a specific focus on the Infrastructure and ecosystems for Common Cross border payment platforms.

Applicants should possess an understanding of financial services and digital Payment systems expertise with capacity to develop policy studies and/or reports.

The required qualifications and competencies of candidate are:

**Digital Financial Systems Expertise:**

**Core and Technical Competencies:**

- Expert subject matter expertise on financial inclusion, cross border payments systems and digital payment platforms/ systems
- Good understanding of financial services regulation for cross border payments and regional payment systems.
- Demonstrated work experience
- Ability to establish and maintain effective working relations with public and private sector stakeholders across several countries.
- A demonstration of fit for organization, project team, and proposed strategy.
- Good understanding of regional integration, trade and the various processes in engaging policymakers.
- Extensive experience in supporting implementation of an interoperable platform in sub-Saharan Africa and a good understanding of different digital payment solutions in other emerging economies e.g. Mobile money, agency banking and merchant payments. This involves their business models and general operations.

**Qualifications of the Consultant**

- Academic: Masters or advanced degree in Business, Economics, or areas related to financial services,
- Work Experience: Minimum 8 years relevant work experience at national, regional or international level in carrying out studies and conducting research on digital financial inclusion, cross border payments and regional payment systems.
- Demonstrated list of at least four complimentary or similar projects delivered by the consultant. At least one of them should have a focus on digital financial inclusion or cross border payments.
- Good knowledge of key private and public stakeholders within Africa.
- Demonstrated expertise for the project (CV) is a necessity.

**Language Requirements:**

- Proficiency in written and spoken English. French is an added advantage.

**XI. Reporting and management**

The consultant will work under the direct supervision of the CBC Digital Financial Inclusion Manager, in collaboration with legal expertise to develop the COMESA payment system policy for MSMEs, under the overall management of the Chief Executive Officer.

- The Chief Executive Officer will provide quality assurance and ensure that the documentation produced is reviewed and approved.
- The Chief Executive Officer will ensure that the Consultant receives all relevant documentation with respect to CBC Guidelines, Rules and Regulations necessary for the execution of his/her tasks.

**XII. Submission**

Applications must be delivered to the address below on or before 21st August 2019 at 15.00 hours, Zambia time.

**The Chief Executive Officer**
**COMESA Business Council**
**COMESA Secretariat Building**
Ben Bella Road
P.O. Box 30051 Lusaka, Zambia.
Tel: (260) 211 229725.
Fax: (260) 211 225107
Email: recruitment@comesabusinesscouncil.org

a) Submissions should include the following:

i. Updated Consultant’s CV including contacts: e-mail and telephone numbers
ii. Cover letter detailing their understanding of the task and highlighting experience and expertise in similar works;
iii. Copies of academic qualifications.